

Supplier Diversity Report – CN

**ILLINOIS COMMERCE COMMISSION
PUBLIC ACT 100-0423**

**CLASS I RAILROAD
SUPPLIER DIVERSITY REPORT
2020 REPORT**



**CN
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The U.S. rail operating subsidiaries of the Canadian National Railway Company (CN) voluntarily submit the following information to the Illinois Commerce Commission pursuant to the Illinois Railroad Diversity Act.

In an increasingly complex global marketplace, CN recognizes the importance of diversity at all levels of our Company. Diversity enables us to better understand and respond to the needs of our stakeholders, access a larger talent pool, and increase the effectiveness of our decision-making through a wider range of perspectives, experiences, concerns, and sensibilities. Increasing diversity to reflect the customers and communities we serve is essential to maintaining our competitive focus and contributes to enhanced performance.

CN IS NORTH AMERICA'S RAILROAD

In business for more than 100 years, the Canadian National Railway Company, including its US rail operating subsidiaries, is a leading transportation and logistics company, and the only transcontinental railway in North America. Our network spans Canada and Mid-America, connecting nine ports on the Atlantic, Pacific, and Gulf of Mexico to communities large and small. Our ribbons of steel stitch together the fabric of the North American economy, fostering the prosperity of the businesses and communities we serve. We offer fully integrated rail and other logistics services, including intermodal, trucking, marine shipping, freight forwarding, warehousing, and customs brokerage. Serving exporters, importers, farmers, retailers, and manufacturers, our transportation services are integral to modern life, touching the lives of millions of people every day.



Illinois is CN's largest state in terms of operations and employees. Our routes from throughout North America converge in Chicago. Homewood is home to CN's U.S. headquarters and a modern \$14.5 million training center built-in 2014. The CN Campus is focused on instilling and reinforcing a strong safety culture. In 2019, nearly 3,000 experienced railroaders, new hires, and customers received a complete range of hands-on technical training. Adjacent to CN Campus is Markham Yard and Woodcrest Shop, the hub of CN's mechanical function in the USA. We also have facilities in Centralia and Champaign-Urbana. To the north is CN's Chicago Intermodal Terminal. Smaller intermodal facilities are in Joliet and Decatur. The Chicago area also boasts three CargoFlo® bulk handling centers as well as automotive and metals distribution facilities and a logistics park. CN hosts Amtrak intercity passenger trains in Illinois and Metra commuter trains in Chicago. In 2019, CN completed the initiating of Positive Train Control operations on its remaining subdivisions and began interoperability testing with its tenant railroads. In 2021, CN plans to invest over US\$130 million to support growing demand and enable supply chains in Illinois bringing our total over the last five years to over \$1 billion.

In the past year, CN has made tremendous strides towards creating a comprehensive diversity program on many fronts. From board governance, to hiring practices to supplier procurement to community investments, CN is setting industry standards and investing in Illinois' diverse populations. We appreciate the Illinois Commerce Commission giving us the opportunity to tell our story.

COMMITTED TO ESG LEADERSHIP

Delivering responsibly is at the heart of how CN is building for a sustainable future. It means moving our customers' goods safely, being environmentally responsible, attracting and developing the best railroaders, helping build stronger communities, and adhering to the highest governance standards.

Environmental Protection	Social Responsibility	Strong Governance
<ul style="list-style-type: none"> • CN leads the North American rail industry, consuming ~15% less fuel per gross ton mile • Achieved 40% locomotive emission intensity improvement since 1993 • Diverting ~90% of our waste from landfill <p>29%</p> <p>CN was the first railroad in North America to set a climate science target of 29% carbon emission intensity reduction by 2030 based on 2015 levels</p>	<ul style="list-style-type: none"> • Leveraging recent advances in technology to drive improved safety • In 2019 adopted <i>Life Critical Rules</i> as a means to strengthen our safety culture • Signatory to Catalyst Accord 2022; committed to extend gender diversity beyond the board to executive management with a target of 30% <p>Zero</p> <p>Goal to reduce serious injuries and fatalities to zero at CN</p>	<ul style="list-style-type: none"> • Continuously improving our culture of integrity and ethical business conduct • Executive compensation aligned with ESG objectives, including safety and fuel efficiency • 6 out of 14 of CN's directors are women, exceeding CN's policy of at least 1/3 representation by women <p>40%</p> <p>CN aspires to attain board composition of 40% representation from diverse groups by end of 2022</p>

Our Diversity Leadership council is responsible for enhancing diversity and CN's cultural competence while providing oversight on targeted diversity outreach programs covering Aboriginal people, women, persons with disabilities, and visible minorities. To support our goal to hire diverse and qualified candidates, CN's Talent Acquisition Team continues to monitor diversity within their candidate pipelines and collaborates with Recruitment Partners to increase visibility and promote CN opportunities. Working with various indigenous communities and institutions also helps us to promote CN as an equal opportunity employer. Reflective of our dedication to diversity in the workplace, as of 2018, 36% of all new employees hired represented diversity groups.

In 2018 CN's Procurement and Supply Chain Management Department spent \$7.58 million¹ with diverse-owned suppliers. In 2019, that number was \$7.15 million, but in 2020, CN's Procurement and Supply Management department has grown that number to approximately \$12.8M with diverse-owned suppliers. These numbers represent 16 suppliers that are tracked monthly and possess a certification of diversity. It is important to note that these values are underreported as CN is in the process of implementing the tools and processes to better identify and report on diverse-owned suppliers.

As mentioned above, CN is making efforts to identify and collect data on diverse-owned businesses. CN has partnered with a contractor management third party cloud solution, ISNetworld, which focuses on safety and compliance. As one of the requirements, contractors will be asked to fill out a questionnaire that contains a section on Aboriginal Ownership and will be asked whether they self-identify as a diverse-owned business. CN has deployed this platform and has already on-boarded over 1000 suppliers. A second wave of deployment is scheduled for Q2 of this year. Part of the deployment process

¹ All dollar values are in US Dollars.

includes various onboarding questionnaires that will collect information on diversity, aboriginal ownership, ESG, and other sustainability elements. The aforementioned information will be updated on a regular basis by the supply and provide CN the ability to collect and analyze critical sustainability data and set meaningful targets.

The Supplier Quality team at CN has updated its supplier auditing process and associated tools to include audit elements that include health, safety, environment, social responsibility, and management practices. CN will use the results from these evaluations to address non-compliance and improvement opportunities as well to make key decisions regarding its supply base. Many formal RFP's now include requirements for suppliers to disclose sustainability and diversity information and these elements are part of the evaluation process for the awarding of business.

CN, like other Class I and shortline railroads, is regulated by the federal government, including the Federal Railroad Administration. CN has specialized purchasing requirements to maintain the highest safety standards consistent with federal regulation and to ensure the safety of the North American rail network. CN makes purchasing decisions on a network basis, as CN's network spans multiple states in the US and provinces in Canada. Other areas of evaluation include, but are not limited to, safety performance, product and service quality, and technical capability. CN awards contracts for goods and services to suppliers deemed to provide the best overall value to CN in these areas while balancing quality, cost, and the service requirements of every supplier.

Vassilios Mandelos (Vassilios.mandelos@cn.ca) will be our point of contact for diverse-owned suppliers who wish to submit a proposal for inclusion in our Procurement & Supply Management pool.

CN's Supplier Portal is also available online. It contains information, including CN's updated Code of Conduct intended to help our partners promote best practices and comply with CN policies: <https://www.cn.ca/en/supplier-portal/supplier-portal>.

The work to create a diverse supplier and employee pool does not begin at the application portal. It must start with the youth of the communities we operate in and through. To that end, CN has established diversity as one of our pillars of our Strong Communities Fund along with creating the next generation of railroaders.

INVESTING IN A NEW GENERATION OF DIVERSE RAILROADERS & SUPPLIERS

By supporting transportation education, CN is inspiring and helping today's youth become tomorrow's railroaders. Why the effort? It all comes down to future economic growth. Today's young people will be tomorrow's leaders who will...

- Shape the success of our company in the years to come as our future leaders.
- Bolster the North American economy, since North America's economic competitiveness and prosperity is closely linked to the strength of our transportation infrastructure.

We promote and support K-12 and post-secondary education in the areas of transportation and transportation policy that include:

- Relevant trade and apprenticeship programs
- Transportation-related college and university programs
- Scholarship and bursary programs that support the pursuit of transportation education.

- Give priority to programs that support and enable diverse communities of color, gender and sexual orientation to develop a desire for a career in the transportation industry.

To this end, the CN Strong Communities Fund supported the following organizations in 2020 and will so again in 2021:

- **Illinois Black Caucus Foundation Scholarship Fund** - Formally established in 1968, the primary mission of the ILBC is to assure that the interests of African American citizens are given equitable representation in the General Assembly and that legislative action is directed to address those interests. For 47 years, the ILBC has represented the interest of Illinois citizens. Through the efforts of the Caucus, tremendous strides have been made in areas of housing, health and welfare, education, employment, and minority business enterprise.
- **Illinois Legislative Latino Caucus Foundation Scholarship Fund** - Each year, the members of the ILLCF select deserving young people of good character and high academic achievement to receive a Foundation scholarships to help them achieve their educational objectives. Scholarships are granted to undergraduate college students whose home residence is in Illinois.
- **SMASH-Illinois** – SMASH’s mission is to build a strong, diverse, and socially conscious tech workforce by leveling the playing field through academic learning and experiential engagement for high school and college students. SMASH empowers dedicated students of color with an intensive science, technology, engineering, and math (STEM) education, culturally-relevant coursework, and access to resources and social capital that allow them to be successful in college and their careers. The Illinois branch as partnerships with colleges in Carbondale, Chicago, and East St. Louis – all along CN’s network.
- **Equality Illinois Council (IEC) Steering Committee** – The IEC is Equality Illinois’ signature program to offer training and professional development, and engage employees to equip ourselves with tangible resources to deepen our commitment to LGBTQ equality and promote our support for LGBTQ equality more broadly.

By supporting transportation education CN is inspiring and helping today's youth become tomorrow's railroaders. CN believes if we invest in the youth of color and diverse experiences and ask them to enter and persist in STEM and transportation programs they will then have the skills to develop from the ground up a more diverse supplier field of companies that we can engage with to create a more diverse rail industry that draws from the best of all of Illinois’ communities.